

QCDK. 96-4

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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The Honorable William E. Kennard
July 28, 1998
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II.

Three matters that are now pending before the FCC and have been pending for over three months need to be promptly resolved. Failing to do so will cause additional delays, inefficiencies and costs.

1. Eligible Telecommunications Carriers -- By necessity, many rural health care providers must use interexchange carriers to provide all or part of their services. But these IECs do not currently qualify for support under the FCC's interpretation of eligible telecommunications carriers. This has deprived a significant percentage of rural health care providers from needed benefits. The result has been a system that has been complicated to administer and very confusing to applicants. We believe that they should be eligible, and in March sought relief from the FCC on this issue. See also our April 14, 1998, letter.

Notwithstanding this difficulty and confusion and our desire for a prompt resolution of this issue, we heeded the FCC staff's request to proceed with processing these applications prior to clarification of this issue. RHCC's application forms, worksheets, cost formulas, training materials, etc, have all been drafted to exclude IECs from eligibility. We estimate that the costs associated with program design and implementation to exclude IECs was \$65,000. We estimate that it will cost an additional \$19,000 to redesign our programs in order to reflect IEC eligibility. Prompt resolution of this issue enabling IECs to become eligible would reduce delays, limit our costs, speed up efficiency and more effectively serve the purposes for which our program was established.

2. Requirement Of Procurement By Contract -- The FCC requires that health care providers and telecommunications service providers that participate in the program must operate under a services procurement contract rather than tariff. But for many rural health care providers and telecommunications service providers, contracts do not exist; instead, contract tariffs are used. As a result, providers that have been purchasing services under a contract tariff are unable to obtain retroactive credit for prior services, and cannot comply with the FCC's rules. This causes confusion among rural health care providers and telecommunications service providers and injects unnecessary costs, delays, uncertainties and confusion. Because this matter continues to be unresolved, we have placed on hold requests for retroactive billing and have placed in reserve certain funds to cover these requests once the matter is clarified. We estimate costs related to this problem are \$108,000.

3. Form Approval -- Revised forms are essential for effective and efficient administration of the program. They allow us to capture needed data in a cost-effective manner. Because OMB approval of these forms would take 60 days, does not appear to be legally required, and would undercut our ability to meet the October 1 deadline for 1999 applications, we are not seeking OMB approval but are proceeding with the revised forms. If questions arise as to our taking this step, we ask that Mr. Nakahata intercede on behalf of this course of action.

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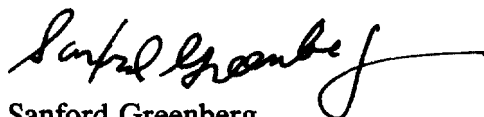
A fourth, long-standing issue has just been partially resolved by an FCC staff determination that the FCC does not need to approve the terms of RHCC's pre-disbursement audit. This audit must be completed before letters are sent to the health care providers confirming the approved level of support. We want to issue these letters as soon as possible. Unfortunately, because both the ETC and the contract tariff issue are not resolved, the audit will cover procedures that will change if these issues are resolved, adding additional expense and time to the process and delaying confirmation letters for several more months.

III.

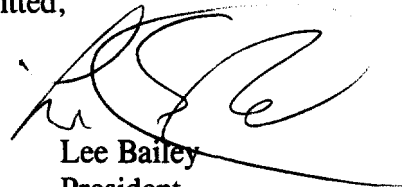
Rural health care is a small program but one with strong legislative agency and community support. The Commission has many responsibilities on its plate that are larger in dollar terms. The nuts-and-bolts issues of our program, which are summarized above, can get lost in the press of other FCC business. As documented above, the resulting delays create inefficiencies and impose costs that impair our ability to serve the public interest. We urge that the way to avoid the risk of delays and fragmented communications is for you to ask your Chief of Staff, Mr. Nakahata, to oversee and expedite resolution of these and any issues that emerge in the future.

The rural health care program is a truly exciting, worthwhile and valuable program for rural America -- one for which you have expressed strong support and interest in the past. We hope you will adopt this suggestion to enable us to operate more efficiently, contain costs and provide maximum benefits to the public through rural health care providers.

Respectfully submitted,



Sanford Greenberg
Chairman of the Board



Lee Bailey
President

cc: Mr. John Nakahata
Commissioner Gloria Tristani
Commissioner Susan Ness
Commissioner Michael Powell
Commissioner Harold Furchtgott-Roth
Ms. Cathy Brown